

NEW APPLICATION



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1 Marc Spitzer
Commissioner - Chairman
2 William A. Mundell
Commissioner
3 Jeff Hatch-Miller
Commissioner
4 Mike Gleason
Commissioner
5 Kristin K. Mayes
Commissioner
6

Arizona Corporation Commission

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JAN 13 2004

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AZ CORP COMMISSION
DOCUMENT CONTROL

W-01445A-04-0013

BEFORE THE ARIZONA CORPORATION COMMISSION

9 IN THE MATTER OF THE APPLICATION)
OF ARIZONA WATER COMPANY, AN)
10 ARIZONA CORPORATION, TO EXTEND)
ITS EXISTING CERTIFICATE OF)
11 CONVENIENCE AND NECESSITY)
WITHIN THE TOWN OF PINETOP-)
12 LAKESIDE, NAVAJO COUNTY, ARIZONA)
13

DOCKET NO. W-01445A-04-

APPLICATION TO EXTEND
EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
INCLUDE ADDITIONAL TERRITORY

14 ARIZONA WATER COMPANY, an Arizona corporation, ("AWC") through its
15 undersigned counsel, presents the following Application to extend its existing certificate of
16 convenience and necessity for its Lakeside system. This Application is based on the following:

17 1. AWC presently holds certificates of convenience and necessity issued to it by this
18 Commission in various decisions beginning in 1962 for the purpose of providing water service
19 within the Town of Pinetop-Lakeside (the "Town") and the surrounding area in Navajo County.

20 2. The area that AWC seeks to add to its certificated area is described in Exhibit #1,
21 which is attached hereto and incorporated by reference herein. Much of the area surrounding the
22 area described in Exhibit #1 is presently certificated to and served by AWC. PK Development,
23 LLC and Gentuc, LLC plan to acquire and develop a portion of the property described in Exhibit
24 #1, and requested AWC to provide water service to the property and apply to the Commission
25 for authority to include the property within AWC's certificated area. A copy of a letter from PK
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ORIGINAL

1 Development, LLC and Gentuc LLC is attached hereto as Exhibit #2 and incorporated by
2 reference herein.

3 3. AWC estimates that the total number of customers that may be served in the area
4 described in Exhibit #1 will be approximately fifty (50) within five years following the date of
5 the filing of this Application.

6 4. A map showing the adjacent portion of AWC's present certificated area and the
7 proposed additional territory is attached hereto as Exhibit #3 and incorporated by reference
8 herein.

9 5. A list of the owners of all of the property described in Exhibit #1 is attached hereto
10 as Exhibit #4. Each property owner will be mailed the public notice attached hereto as
11 Exhibit #5.

12 6. AWC is financially able to construct, operate, and maintain the facilities necessary
13 to provide service to the area described in Exhibit #1. A current financial statement for AWC is
14 attached hereto as Exhibit #6 and incorporated by reference herein.

15 7. AWC operates and maintains its water system within the Town pursuant to permits
16 issued by the Town and not pursuant to franchise, in accordance with A.R.S. §40-282B which
17 provides that an applicant for a certificate shall submit to the Commission evidence to show:

18 "...that the applicant has received the required consent, franchise or
19 permit of the proper county, city and county, municipal or other public
20 authority." (Emphasis supplied)

21 AWC has attached as Exhibit #7 hereto a letter from the Town evidencing the
22 Town's consent to AWC providing water service in the Town and that AWC has in the past and
23 will continue in the future to operate its water system in the Town pursuant to permits from the
24 Town.

8. AWC's by-laws do not require a corporate resolution in conjunction with this Application.

9. Public convenience and necessity will be served by having AWC extend its certificate of convenience and necessity to include the area described in Exhibit #1.

10. AWC proposes to continue to utilize its currently authorized rates and charges for its Lakeside system for service to the area described in Exhibit #1. AWC will continue to charge these rates until the Commission changes the rates.

WHEREFORE, AWC respectfully requests that the Commission hold a hearing on this Application, and enter an order, or, in the alternative, enter an order without the necessity of a hearing, which order shall:

1. Find that AWC has submitted the necessary evidence that it has received the required consent to operate its water system pursuant to permits from the Town of Pinetop-Lakeside.
2. Issue to AWC a certificate of convenience and necessity for the area described in Exhibit #1 hereto.
3. Grant such other further and general relief as appropriate in the premises.

RESPECTFULLY SUBMITTED this 13th day of JANUARY 2004.

ARIZONA WATER COMPANY

By: Robert W. Geake
Robert W. Geake
Vice President and General Counsel
ARIZONA WATER COMPANY
Post Office Box 29006
Phoenix, Arizona 85038-9006

1 Original and thirteen (13) copies of the foregoing filed the 13th day of JANUARY, 2004
2 with:

3 Docket Control Division
4 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

5 A copy of the foregoing was mailed this 13th day of JANUARY, 2004 to:

6 Christopher Kempley, Chief Counsel
7 Legal Division
8 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

9 Ernest G. Johnson
10 Director, Utilities Division
11 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

12 By: F. W. Drake
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EXHIBIT "1"

PARCEL 1

A parcel of land lying in the Southwest quarter of Section 25, Township 9 North, Range 22 East of the Gila and Salt River Base and Meridian, Navajo County, Arizona, and being a part of the unsubdivided areas of WONDERLAND ACRES subdivision as recorded in Book 7, Page 22 of Plats, and filed in the Navajo County Recorder's office and being more particularly described as follows:

Beginning at the South quarter corner of said Section 25;
Thence N25°41'02"E, a distance of 713.03 feet to the corner of Lot 179, said corner being the TRUE POINT OF BEGINNING for this parcel;
Thence N71°04'23"W, a distance of 495.98 feet;
Thence N53°17'24"W, a distance of 866.93 feet;
Thence N89°11'19"E, a distance of 1,500.30 feet;
Thence S01°02'14"E, a distance of 605.30 feet;
Thence N63°45'00"W, a distance of 127.30 feet to a point on a curve;
Thence southwesterly along said curve to the left, having a radius of 121.42 feet, through a central angle of 75°45'23", an arc length of 160.54 feet;
Thence S40°29'37"W, a distance of 85.26 feet to a point on a curve;
Thence southwesterly along said curve to the left, having a radius of 162.55 feet, through a central angle of 22°56'22", an arc length of 65.08 feet to the TRUE POINT OF BEGINNING for this parcel.

PARCEL 2

A parcel of land lying in the Southwest quarter of Section 25, Township 9 North, Range 22 East of the Gila and Salt River Base and Meridian, Navajo County, Arizona, and being a part of the unsubdivided areas of WONDERLAND ACRES subdivision as recorded in Book 7, Page 22 of Plats, and filed in the Navajo County Recorder's office and being more particularly described as follows:

Beginning at the South quarter corner of said Section 25;
Thence S89°27'28"W, along the South line of said Section 25, a distance of 315.76 feet to the TRUE POINT OF BEGINNING for this parcel;
Thence continuing, S89°27'28"W, a distance of 2,157.68 feet;
Thence N00°20'19"W, a distance of 493.41 feet;
Thence N20°17'09"E, a distance of 115.74 feet;
Thence N76°13'11"E, a distance of 246.79 feet;
Thence N82°27'11"E, a distance of 751.35 feet;
Thence S70°28'31"E, a distance of 292.84 feet;
Thence S53°17'24"E, a distance of 1,072.57 feet back to the TRUE POINT OF BEGINNING for this parcel.

EXHIBIT "2"



RECEIVED
OCT 15 2003

ARIZONA WATER COMPANY
PHOENIX - ENGINEERING

October 13, 2003

Arizona Water Company
3805 North Black Canyon
Phoenix, Arizona 85015

Attn: Mike Loggins

Re: Walnut Creek Development
Pinetop, Arizona

Mr. Loggins;

PK Development is requesting water service for a proposed 42 lot subdivision in Pinetop/Lakeside. Attached are location maps and other pertinent information for your review. We have not received the recorded deed; however, the escrow number with Transnation Title is 01203926. Following are contact individuals for the project:

Developer: PK Development
4150 East Lone Mountain Rd.
Cave Creek, Arizona 85331

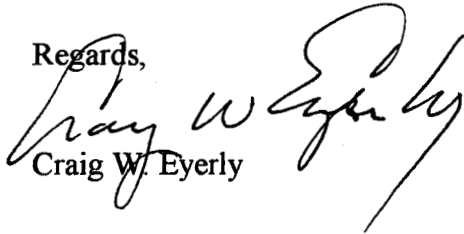
Craig Eyerly
602-561-9900

Bob Karber
602-321-9335

Engineer: Bruce Ironsides
Ironsides Engineering
1500 South White Mountain Road
Suite 201
Show Low, Arizona 85901-7108
928-532-0880

If you have questions or require further information please contact Craig Eyerly at 602-561-9900.

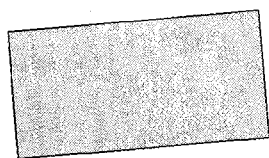
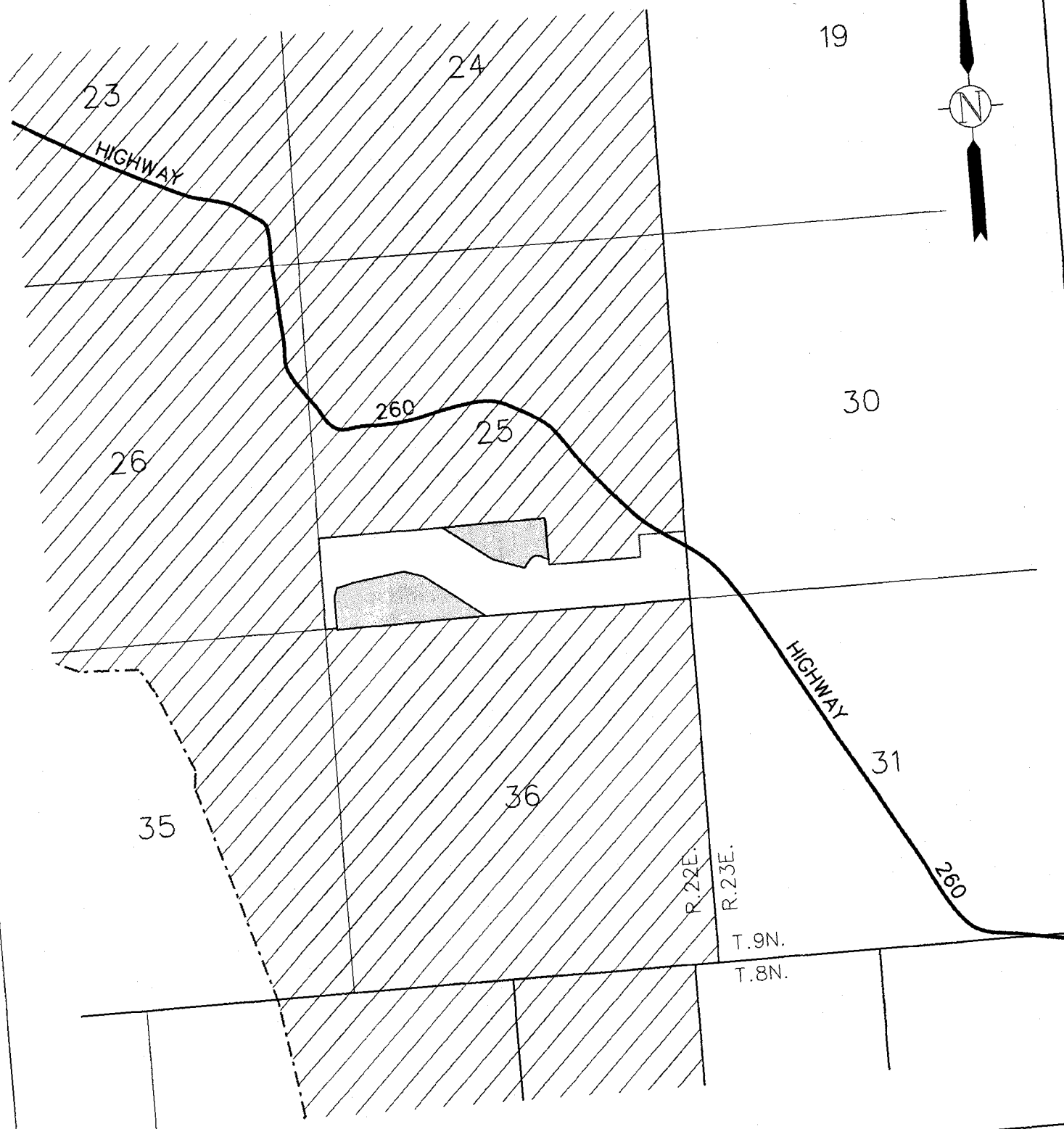
Regards,

A handwritten signature in cursive script, appearing to read "Craig W. Eyerly". The signature is written in dark ink and is positioned above the printed name.

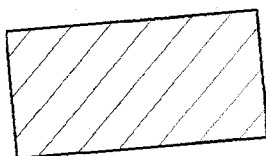
Craig W. Eyerly

Cc: Ted Millsbaugh, Arizona Water

EXHIBIT "3"



CC&N This Application



Present Arizona Water Company CC&N

ARIZONA WATER COMPANY

DESCRIPTION: Extend Arizona Water Company CC&N In The Lakeside Area

LOCATION: South Half of Section 25 - T.9N., R.22E.

DATE: 10.29.2003

SCALE: 1"=2000'

DRAWN BY: CB

EXHIBIT "4"

212-29-181
Jerry L. Allen, Et Al.
5942 Salamea Avenue
Woodland Hills, CA 91367

212-29-182A
Lenn Pritchard Enterprises Inc.
4150 East Lone Mountain Road
Cave Creek, AZ 85331

212-29-182B
Roger N. & Carol B. Hagadorn
7015 West Kimberly Way
Glendale, AZ 85308

EXHIBIT "5"

ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, ARIZONA 85038-9006
PHONE: (602) 240-6860 • FAX: (602) 240-6878

[Date]

«PropertyOwner»

«Address1»

«Address2»

«City» «State» «PostalCode»

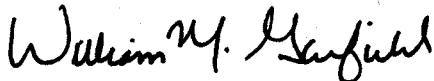
NAVAJO COUNTY ASSESSOR'S PARCEL NO.: «ParcelNumber»

**PUBLIC NOTICE OF AN APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY BY ARIZONA WATER COMPANY**

Arizona Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water utility service to an area in which records indicate that you are a property owner. If the application is granted, Arizona Water Company would be the provider of water utility service to the proposed area. The Commission will require Arizona Water Company to provide this service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission at 1200 West Washington Street, Phoenix, Arizona, and at Arizona Water Company, 1669 N. White Mountain Blvd., Lakeside, Arizona 85929.

The Commission will hold a hearing on this matter. As a property owner you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless you request it.

If you have questions or concerns about this application, have any objection to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Arizona Corporation Commission at 1200 West Washington St., Phoenix, Arizona 85007 or call 1-800-222-7000.



William M. Garfield
President

E-MAIL: mail@azwater.com

EXHIBIT "6"

ARIZONA WATER COMPANY Comparative Balance Sheet at November 30, 2003

ASSETS

	Nov. 30, 2003	Nov. 30, 2002	Increase (Decrease)
UTILITY PLANT			
Gross Utility Plant	\$ 206,301,067	\$ 193,314,589	\$ 12,986,478
Less Accumulated Depreciation	52,008,037	47,771,858	4,236,179
Net Utility Plant	154,293,030	145,542,731	8,750,299
CURRENT ASSETS			
Cash on Hand and in Banks	686,814	158,298	528,516
Investments and Special Deposits	2,703	3,111	(408)
Accounts Receivable	2,939,526	2,615,950	323,576
Materials and Supplies	306,615	299,692	6,923
Other	341,659	299,497	42,162
Total Current Assets	4,277,317	3,376,548	900,769
DEFERRED DEBITS			
	6,414,445	5,681,671	732,774
TOTAL	\$ 164,984,792	\$ 154,600,950	\$ 10,383,842

LIABILITIES

CAPITALIZATION			
Common Stock	\$ 2,700,000	\$ 2,700,000	\$ 0
Capital Surplus	8,970,647	2,940,647	6,030,000
Retained Earnings	48,880,114	46,542,979	2,337,135
Common Stock Equity	60,550,761	52,183,626	8,367,135
Long-Term Debt	22,200,000	22,600,000	(400,000)
Total Capitalization	82,750,761	74,783,626	7,967,135
CURRENT LIABILITIES			
Notes Payable	0	3,625,000	(3,625,000)
Accounts Payable	2,260,576	2,123,504	137,072
Accrued Expenses	2,703,343	3,072,100	(368,757)
Other	450,068	452,597	(2,529)
Total Current Liabilities	5,413,987	9,273,201	(3,859,214)
DEFERRED CREDITS			
Advances for Construction	36,270,659	33,068,933	3,201,726
Contributions in Aid of Construction	21,016,599	19,513,675	1,502,924
Deferred Income Tax	14,278,052	11,842,175	2,435,877
Other	5,254,734	6,119,340	(864,606)
Total Deferred Credits	76,820,044	70,544,123	6,275,921
TOTAL	\$ 164,984,792	\$ 154,600,950	\$ 10,383,842

NOVEMBER 2003

ARIZONA WATER COMPANY
Comparative Statement of Income
November 30, 2003

	<u>12 MONTHS TO DATE</u>		<u>NOVEMBER</u>		<u>11 Months to Date</u>	
	2003	2002	2003	2002	2003	2002
OPERATING REVENUE	\$ 37,541,363	\$ 36,569,388	\$ 3,197,725	\$ 2,931,818	\$ 34,820,688	\$ 34,159,387
OPERATING EXPENSES						
Operation and Maintenance	17,802,732	16,730,569	1,390,841	1,337,680	16,369,623	15,467,647
Depreciation	4,490,628	4,254,310	377,747	352,663	4,172,210	3,892,336
Taxes Other Than Income Taxes	5,340,906	5,321,525	437,469	422,301	5,002,583	4,943,234
Income Taxes	2,576,505	3,036,733	219,040	132,738	2,825,397	3,032,195
Total Operating Expenses	30,210,771	29,343,137	2,425,097	2,245,382	28,369,813	27,335,412
OPERATING INCOME	7,330,592	7,226,251	772,628	686,436	6,450,875	6,823,975
OTHER (INCOME) AND DEDUCTIONS						
Other (Income) - Net	(135,288)	(270,073)	2,082	(43,652)	(129,467)	(293,708)
Interest on Long-Term Debt	1,889,466	1,926,465	155,400	158,483	1,730,983	1,764,900
Other Interest and Amortization	(30,421)	(154,164)	(5,416)	(13,063)	(24,647)	(91,004)
Total Other (Income) and Deductions	1,723,757	1,502,228	152,066	101,768	1,576,869	1,380,188
NET INCOME	5,606,835	5,724,023	\$ 620,562	\$ 584,668	\$ 4,874,006	\$ 5,443,787
Regular Common Dividends	3,269,700	2,988,900				
INCOME RETAINED	\$ 2,337,135	\$ 2,735,123				
Active Services	69,658	66,734				

NOVEMBER 2003

EXHIBIT "7"



January 12, 2004

Mr. Richard W. Henderson
Vice President - Operations
Arizona Water Company
P.O. Box 29006
Phoenix, AZ 85038

RE: Right of Way Permits

Dear Mr. Henderson:

This letter confirms the existing and ongoing policy of the Town of Pinetop-Lakeside (the "Town") under which the Town consents to Arizona Water Company (the "Company") providing water service within the Town pursuant to procedures and permit requirements that allow the Company to continue to install, maintain, operate, relocate and remove water system facilities in the Town's rights of way.

The Town does not require the Company to obtain a franchise. Instead, the Town requires the Company to obtain a permit before the Company begins work on any project for which the Company needs or desires to enter the Town's rights of way, for any of the purposes described above. The Company will obtain a permit by filing an application with the Town and paying any necessary permit fee. The Town will then issue the permit, and the Company must perform its work according to the terms and conditions of the permit, and communicate with appropriate Town employees as necessary during, and following, the work.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Thomas", is written over the word "Sincerely,".

Tom Thomas
Superintendent of Streets and Roads